



REPORT BY THE
DEPARTMENT OF FISH & GAME
AUDITS BRANCH

WA 08-09

AUDIT OF
DEDICATED SALMON STAMP ACCOUNTS
(200.05, 200.06 & 200.07)

OCTOBER 2009

State of California

Memorandum

To: H. Carriker, Deputy Director
Administration

Date: October 1, 2009

From: Brian A. Kwake, Chief
Department of Fish and Game

Audit Control Number
WA 08-09

Subject: Audit of the Salmon Stamp Dedicated Accounts

As you requested, the Audits Branch (AB) performed an audit of the Department of Fish and Game's (DFG) Commercial Salmon Stamp Account (fund number 200.05), the Augmented Salmon Stamp Account (fund number 200.06), and the Commercial Salmon Vessel Permit Account (fund number 200.07). The audit covered the period April 1, 2004 through March 31, 2009. We determined the fund balances as of March 31, 2009, to be as follows:

- Commercial Salmon Stamp Account (200.05) (\$90,126.20)
- Augmented Salmon Stamp Account (200.06) \$631,502.32
- Commercial Salmon Vessel Permit Account (200.07) \$ 87,542.91

BACKGROUND

DFG maintains native fish, wildlife, plant species, and natural communities for their ecological value and benefits for the State. To accomplish these objectives, DFG promotes and maintains fish and wildlife programs for diverse purposes, including recreation, business science, and education. To help fund these programs, DFG collects fees and issues various licenses, tags, and permits for activities such as sport fishing, commercial fishing, and hunting. DFG uses money from several funds, including the Fish and Game Preservation Fund (FGPF), to pay for its administrative activities and for various State and local projects.

State law generally requires that all money collected under the Fish and Game Code (FGC), or any other law relating to the protection and preservation of birds, mammals, fish, reptiles, or amphibians, should be deposited to the FGPF. DFG is to use the FGPF to help pay DFG's expenditures in carrying out the provisions of the FGC. Within the FGPF are 26 sub-accounts consisting of 25 dedicated accounts and one non-dedicated account. Each dedicated account has a specific purpose with restrictions on how funds can be used, while the non-dedicated account can pay for various costs DFG incurs in carrying out provisions of the FGC. For example, moneys collected in sub-accounts 200.05, 200.06 and 200.07 are considered

dedicated monies for the Salmon Stamp program. These three dedicated accounts are the focus of this audit.

Legislation sponsored by the commercial salmon fishing industry in the late 1970's statutorily established a Commercial Salmon Stamp Account within the FGPF. This was administratively divided into two dedicated sub-accounts, the Commercial Salmon Stamp Dedicated Account (fund 200.05) and the Augmented Salmon Stamp Dedicated Account (fund 200.06), reflecting statutory division of expenditure authority. Statutes require individuals who take salmon commercially or who are aboard a vessel engaged in commercial take or transport of salmon to have a Commercial Fishing Salmon Stamp affixed to their commercial fishing licenses. Possession of the stamp is also required for purchase of a commercial salmon vessel permit in-which the revenue is identified in a third dedicated sub-account (fund 200.07), Commercial Salmon Vessel Permit Dedicated Account.

Operators and crew of commercial passenger salmon fishing vessels are required to purchase salmon stamps. Base fee for the stamp is set at \$85.00 with provision for fee increases based on landings in the preceding season according to a statutory formula: in years when prior-year commercial salmon landings exceed 3 million pounds, the stamp fee increases by \$12.50 for every 250,000 pounds over the 3 million pound base to a maximum of \$260.00. From each stamp sold, \$30.00 is directed to salmon rearing (Salmon Stamp Dedicated Account) matched by other non-reimbursable DFG funds. Funds in excess of the \$30.00 for rearing are expended for projects to increase ocean salmon landing in accordance with recommendations made by the Commercial Salmon Trollers Advisory Committee (Augmented Salmon Stamp Dedicated Account, 200.06) established by the enabling legislation. Under FGC Section 7861.2, ongoing reimbursement authority is provided for the account to receive funds from almost any other source including, but not limited to, grants, including federal grants, bequests, and donations provided that such fund transfers clearly designate the account as the intended recipient of the funds.

Costs for issuing stamps may be deducted prior to depositing fees into the Commercial Salmon Stamp Account. Administrative overhead is limited to 3.3 % of expenditures. Interest on reserves is credited to the FGPF rather than to either dedicated account. Funds from the Commercial Salmon Stamp Dedicated Account (fund 200.05) may be expended only to defray half the cost of rearing 2 million yearling salmon, with the remaining one-half of costs borne by DFG from other, non-reimbursable funds. This required match has come from commercial salmon landing tax monies historically which is directed by statute to salmon propagation.

Funds from the Augmented Salmon Stamp Dedicated Account (fund 200.06) may be expended only for projects with the goal of increasing ocean salmon landings in accordance with recommendations of the Commercial Salmon Trollers Advisory Committee. DFG may choose not to fund projects recommended by the Advisory Committee but is statutorily prevented from

expending funds from the dedicated account except on recommendation of the Advisory Committee.

Lastly, the Commercial Salmon Vessel Permit Dedicated Account (fund 200.07) requires individuals who participate in the commercial salmon fishery to obtain a commercial salmon vessel permit from DFG. The permit must be permanently affixed to the vessel and visible at all times. The owner or agent of the vessel must first obtain a commercial salmon fishing permit to be eligible for a commercial salmon vessel permit. The FGC establishes a minimum fee of \$35 for an original application to secure a commercial salmon vessel permit. Currently, the fee for a commercial salmon vessel permit is \$30 annually. The funds are to be used to pay reasonable costs of implementing and administering the commercial salmon vessel permit program.

SCOPE, METHODOLOGY, AND OBJECTIVES

We originally agreed to concentrate on the July 1, 2007 through March 31, 2009 as the audit period. The audit was to determine if salmon stamp fund revenues and expenditures collected were being used in accordance with applicable laws and regulations; that the project selection process was adequate; and that the project monitoring financial management system was adequate. Subsequently, after meeting with the Commercial Salmon Stamp Account (200.05) and Augmented Salmon Stamp Account (200.06) fund coordinator, we expanded the scope of the review to address the fund coordinator's concerns relative to the balances of the salmon stamp funds. Accordingly, the AB expanded the review procedures to confirm the fund balances and extended the review period to April 1, 2004 through March 31, 2009.

This extended time period covers transactions incurred since the last review report the AB issued on the Salmon Stamp Accounts dated August 19, 2004. Audit number WA-03-22 was a reconciliation of the Salmon Stamp Account fund numbers 200.05 and 200.06 for the period June 30, 1995 through March 31, 2004. The prior review recommended fund adjustments to these two accounts, but, the fund adjustments were not incorporated into DFG's accounting records.

We conducted this current audit by first obtaining Fund Condition Statements (Statements) from the Accounting Services Branch (ASB) for the period April 1, 2004 through March 31, 2009. Revenues, expenditures and prior-year adjustments included on these Statements were verified to the applicable DFG California State Accounting and Reporting System (CALSTARS) accounting records. Next, tests were performed identifying the unallowable expenditures charged to these funds by comparing a listing of allowable Program Cost Account (PCA)/index codes to actual charges included on the CALSTARS reports. None of the fund coordinators could provide us complete PCA and index information for these dedicated salmon stamp accounts; therefore, the PCA and index listing was obtained from the DFG Budgets Branch. Additional tests were conducted to ensure that

overhead charges did not exceed 3.3% as allowed in the legislation for funds 200.05 and 200.06.

The License Agent System (LAS) Summary of Collection reports for the period April 1, 2004 through March 31, 2009 were compared to the Statement balances for the same time period. We were able to verify that all monies included on the LAS Summary of Collection reports agreed with the revenue amounts included on the Statement reports.

Based on our analysis of the Revenues, PCA/index code and overhead charges to these funds for the period covering April 1, 2004 through March 31, 2009, the audited ending balances as of March 31, 2009 amounted to <90,126.20>, \$631,502.32, and 87,542.91, for funds 200.05, 200.06 and 200.07, respectively (See Attachment A for a year-by-year summary of our audit adjustments to these ending fund balances).

We met with the fund coordinators of the Commercial Salmon Stamp Account (200.05) the Augmented Salmon Stamp Account (200.06) and Commercial Salmon Vessel Permit Account (200.07), to determine if the project selection process (200.05 & 200.06 only) and that the monitoring of the financial management system was adequate. We were informed that there has been a sharp decline in the salmon industry which has led to a dramatic decrease in the collection of fees from commercial fishermen. The salmon season has been closed since 2006. This closure resulted in DFG refunding all the salmon stamp fees back to the commercial fishermen during the 2006 season. Total revenues collected at June 30, 2005 for funds 200.05, 200.06 and 200.07 were \$59,550, \$380,036, and \$53,028.21, respectively. However, the revenues sharply declined down to \$180 (fund 200.05), \$330 (fund 200.06) and \$10,969.34 (fund 200.07) by June 30, 2008. Consequently, one fund coordinator informed us that DFG has not proposed to the Commercial Salmon Trollers Advisory Committee any new projects in the past couple of years to increase ocean salmon landing due to lack of funds in these dedicated salmon stamp accounts (200.05 & 200.06).

We also performed audit steps to determine if DFG was meeting the goal established in the legislation that a portion of the Commercial Salmon Stamp account (200.05 and 200.06) monies were spent in the rearing of 2 million yearling salmon annually. We verified through a review of the CALSTARS reports that the Mokelumne River and Feather River fish hatcheries were primarily funded by salmon stamp accounts 200.05 and 200.06 monies. We then contacted the Fund Coordinator to obtain 2009 fish count numbers for these two fish hatcheries to determine if they had collectively been rearing at least 2 million salmon during 2009. The Fund Coordinator provided us a 2009 fish release report for both the Feather River and Mokelumne River fish hatcheries. Based on this report, it appears that 10,403,744 salmon have been released so far this year from the Feather River Hatchery and 261,969 from the Mokelumne River Hatchery.

We met with the Deputy Director of Administration (DDA) and the Assistant Deputy Director of Administration – Fiscal (ADDA) on July 31, 2009 to discuss the results of the salmon stamp audit. The DDA and ADDA both requested additional time to review the audit adjustments and recommendations. We subsequently met with the ADDA and Accounting Services Branch (ASB) Chief, on September 29, 2009 to further discuss the results of the audit. The ADDA and ASB Chief concurred with the adjustments but stated that some of the index codes disallowed in this audit may actually be allowable costs; however, the Fisheries Branch and Marine Region fund coordinators need to work with the Budgets Branch to further investigate the validity of these questioned index codes.

CONCLUSION

As a result of the analysis of the revenues, PCA/index codes and overhead charges to these funds for the period April 1, 2004 through March 31, 2009, the audited ending balances as of March 31, 2009 were <\$90,126.20>, \$631,502.32, and \$87,542.91, for funds 200.05, 200.06 and 200.07, respectively (See Attachment A for a year-by-year summary of the audit adjustments to these ending fund balances). In-addition, the following internal control deficiencies were disclosed:

- The dedicated salmon stamp accounts are not being adequately monitored by DFG. There are no written desk procedures to document the oversight policies and procedures to ensure adequate project monitoring. Additionally, the fund coordinators were unable to provide us with a complete listing of appropriate index codes that could be charged against the salmon stamp PCA's. Without written project monitoring procedures and a listing of allowable index codes, the fund coordinators cannot provide sufficient project oversight and are unable to adequately monitor allowable/unallowable costs charged to these salmon stamp fund accounts.
- There appears to be confusion as to the person responsible for monitoring the Commercial Salmon Vessel Permit Account (fund 200.07). This fund is handled by the Marine Region (MR). The DFG website names a Senior Biologist Supervisor located at Santa Rosa, California, as the fund coordinator for this account, but the quarterly Statements issued by ASB has an Associate Governmental Program Analyst at Monterey, California, listed as the fund coordinator for this account. Neither person claims to have direct oversight in monitoring this fund. The MR needs to identify a fund coordinator for this fund and modify that employee's duty statement to clearly define their responsibilities as the Commercial Salmon Vessel Permit (fund 200.07) fund coordinator.

In-addition to establishing written policies and procedures for the fund coordinators, we recommend the fund coordinators attend a contract management course to receive training relative to the responsibilities necessary to adequately monitor revenue and expenditures and to provide oversight of the salmon stamp fund projects and activities.

If you have any questions, please contact Scott Marengo of the AB at (916) 445-3372, or email at: smarengo@dfg.ca.gov.

Attachment

cc: J. McCamman
H. Kiyan
N. Manji
W. Beer
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ATTACHMENT A

CALIFORNIA DEPARTMENT OF FISH AND GAME
SUMMARY OF AUDITED FUND CONDITION STATEMENTS 2004-2009
FUNDS 200.05, 200.06 and 200.07
ATTACHMENT A

	FUND 200.05	FUND 200.06	FUND 200.07
Beginning Balance Per Fund Statement as of 7/1/03	\$80,690.37	\$111,916.83	\$285,336.05
Add: Prior Year Adjustments	\$14,959.17	\$209,907.97	\$19,309.77
Add: Revenues/Interest Income	\$62,448.00	\$398,504.94	\$54,624.19
Less: Expenses	(\$86,212.88)	(\$349,240.66)	(\$120,501.83)
Ending Balance Per Fund Statement as of 6/30/04	\$71,884.66	\$371,089.08	\$238,768.18
Audited Expenses	\$0.00	\$0.00	\$11,306.76
Audited Overhead	\$584.47	\$0.00	\$0.00
Audited Ending Balance as of 6/30/04	\$72,469.13	\$371,089.08	\$250,074.94
Audited Beginning Balance as of 7/1/04	\$72,469.13	\$371,089.08	\$250,074.94
Add: Prior Year Adjustments	\$7,496.81	\$80,451.17	(\$193.70)
Add: Revenues/Interest Income	\$59,550.00	\$380,036.00	\$53,028.21
Less: Expenses	(\$102,244.36)	(\$233,897.63)	(\$112,508.63)
Audited 2005 Expenses	\$700.94	\$89,286.60	\$11,617.36
Audited 2005 Overhead	\$0.00	\$2,946.47	\$0.00
Audited Ending Balance as of 6/30/05	\$37,972.52	\$689,911.69	\$202,018.18
Audited Beginning Balance as of 7/1/05	\$37,972.52	\$689,911.69	\$202,018.18
Add: Prior Year Adjustments	\$11,621.94	(\$12,536.61)	\$512.20
Add: Revenues/Interest Income	\$52,890.00	\$216,450.50	\$55,425.21
Less: Expenses	(\$85,977.29)	(\$161,414.72)	(\$117,084.12)
Audited 2006 Expenses	\$1,818.84	\$59,440.97	\$7,734.57
Audited 2006 Overhead	\$1,705.60	\$3,234.30	\$0.00
Audited Ending Balance as of 6/30/06	\$20,031.61	\$795,086.13	\$148,606.04
Audited Beginning Balance as of 7/1/06	\$20,031.61	\$795,086.13	\$148,606.04
Add: Prior Year Adjustments	\$8,826.88	\$11,292.07	\$461.87
Add: Revenues/Interest Income	(\$48,540.00)	(\$190,115.00)	(\$33,345.56)
Add: Transfers In	\$53,770.50	\$210,601.00	\$46,983.50
Less: Expenses	(\$91,515.58)	(\$180,086.69)	(\$121,401.29)
Less: Funding by 0200.01	\$70,000.00	\$0.00	\$0.00
Audited 2007 Expenses	\$2,735.56	\$2,063.88	\$24,257.07
Audited 2007 Overhead	(\$70,636.97)	(\$75,535.35)	\$0.00
Audited Ending Balance as of 6/30/07	(\$55,328.00)	\$573,306.04	\$65,561.63
Audited Beginning Balance as of 7/1/07	(\$55,328.00)	\$573,306.04	\$65,561.63
Add: Prior Year Adjustments	\$21,343.63	\$173,857.37	\$45,014.22
Add: Revenues/Interest Income	\$180.00	\$330.00	\$10,969.34
Less: Expenses	(\$29,287.19)	(\$42,246.42)	(\$31,504.76)
Audited 2008 Expenses	\$1,607.51	\$354.94	\$0.00
Audited 2008 Overhead	(\$7,777.08)	(\$12.47)	\$0.00
Audited Ending Balance as of 6/30/08	(\$69,261.13)	\$705,589.46	\$90,040.43
Beginning Balance Per Fund Statement as of 7/1/08	(\$69,261.13)	\$705,589.46	\$90,040.43
Add: CASTARSGO4 Report Balance*	\$49,302.55	\$246,970.51	\$43,459.31
Less: CASTARSGO4 Audit Adjustment	(\$49,302.55)	(\$246,970.51)	(\$43,459.31)
Add: Prior Year Adjustments	\$3,151.64	\$10,619.27	(\$125.92)
Add: Revenues/Interest Income	(\$210.00)	(\$385.00)	\$4,803.61
Less: Expenses	(\$26,081.37)	(\$86,323.10)	(\$7,175.21)
Audited 2009 Expenses	\$1,387.71	\$119.03	\$0.00
Audited 2009 Overhead	\$886.95	\$1,882.66	\$0.00
Audited Ending Balance as of 3/31/09	(\$90,126.20)	\$631,502.32	\$87,542.91